

CITY OF SOLON, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2020

Table of Contents

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-12
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13-16
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	17
Notes to Financial Statements		18-30
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		31-32
Notes to Other Information – Budgetary Reporting		33
Schedule of the City's Proportionate Share of the Net Pension Liability		34-35
Schedule of City Contributions		36-37
Notes to Other Information – Pension Liability		38
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	39-40
Schedule of Indebtedness	2	41-42
Bond and Note Maturities	3	43
Schedule of Receipts by Source and Disbursements by Function All Governmental Funds	4	44-45
Independent Auditor's Report on Internal control over Financial Reporting and on Compliance and Other Matters Based on an Audit of financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		46-47
Schedule of Findings		48-51

**City of Solon
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Stange	Mayor	December 2023
Lauren Whitehead	Mayor Pro-Tem	December 2021
Steve Duncan	Council Member	December 2021
Lynn Morris	Council Member	December 2021
Dan O'Neil	Council Member	December 2023
John Farlinger	Council Member	December 2023
Cami Rasmussen	City Administrator	Indefinite
Susie Siddell	City Clerk/Treasurer	Indefinite
Roman Meyers	Finance Officer	Indefinite
Kevin Olson	City Attorney	Indefinite



Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Solon, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City of Solon, Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Solon, Iowa, as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Solon, Iowa's basic financial statements. The financial statements for the six years ended June 30, 2016 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 9 and 31 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021 on our consideration of City of Solon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Solon's internal control over financial reporting and compliance.

Kronlage & Olson, P.C.

Charles City, Iowa
June 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Solon provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased \$317,676 from fiscal year 2019 to fiscal year 2020. Charges for service increased \$46,616, operating grants, contributions and restricted interest decreased \$54,080. Property tax revenues increased \$79,745 tax increment financing decreased \$52,068, local option sales tax increased \$59,181, and other general receipts increased \$233,254.
- Governmental disbursements increased \$102,921 from fiscal year 2019 to fiscal year 2020. Public safety disbursements increased from \$197,530 in FY19 to \$206,532 in FY20, public works expenditures decreased \$70,579, culture and recreation expenses increased \$9,676 and community and economic development expenses increased \$14,194, general government expenses increased \$120,831, debt service expenses decreased \$3,878, capital projects increased \$23,775 and other financing uses decreased \$100. Business type expenses (excluding transfers) decreased from \$1,220,062 in FY19 to \$ 1,148,290 in FY20.
- The City's total cash basis net position increased by \$937,247 or 24.83% from June 30, 2019 to June 30, 2020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a cash basis statement of activities and net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The cash basis statement of activities and net position reports information which helps answer this question.

The cash basis statement of activities and net position presents the City's net cash position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The cash basis statement of activities and net position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sewer Fund and Recoupment Fees Fund. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- (1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax, Urban Renewal Tax Increment, and Road Use Tax. 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- (2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Recoupment Fees Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased during FY20, from \$3,775,142 to \$4,712,389. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program Receipts:		
Charges for service	\$ 342,220	\$ 295,604
Operating grants, contributions and restricted interest	416,351	470,431
General Receipts:		
Property Tax	1,294,856	1,215,111
Local option sales tax	730,355	671,174
TIF Revenues	769,717	821,785
Unrestricted investment earnings	18,317	13,289
Bond proceeds	-	-
Other general receipts	548,819	315,565
Total receipts	<u>\$4,120,635</u>	<u>\$3,802,959</u>
Disbursements:		
Public Safety	\$ 206,532	\$ 197,530
Public Works	860,141	930,720
Culture and recreation	676,326	666,650
Community & economic development	46,493	32,299
General government	688,734	567,903
Debt Service	292,567	296,445
Capital Projects	23,775	-
Other financing uses	287,280	287,380
Total disbursements	<u>\$3,081,848</u>	<u>\$2,978,927</u>
Change in cash basis net position before transfers	1,038,787	\$ 824,032
Transfers, net	<u>(101,540)</u>	<u>(304,984)</u>
Change in cash basis net position	\$ 937,247	\$ 519,048
Cash basis net position beginning of year	<u>3,775,142</u>	<u>3,256,094</u>
Cash basis net position end of year	<u>\$4,712,389</u>	<u>\$3,775,142</u>

The City's total receipts for governmental activities, increased 8.33%, or approximately \$317,000 from the prior year.

Expenditures showed an increase of approximately \$102,000, or 3.42%.

Property tax rates decreased in fiscal year 2020 with a rate of \$10.82842/\$1,000, as compared to a rate of \$10.8978/\$1,000 in fiscal year 2019. Overall property tax revenues were higher, increasing \$79,745, from \$1,215,111 to \$1,294,856. Property taxes are budgeted to increase to \$10.84314/\$1,000 in FY21. TIF revenues decreased from \$821,785 in FY19 to \$769,717 in FY20. Local option sales tax showed an increase from \$671,174 received in fiscal year 2019 to \$730,355 received in fiscal year 2020.

There were several changes in the governmental program expenses also. Public safety expenses increased \$9,002. Public works showed a decrease of \$70,579, while culture and recreation increased by \$9,676. Community and economic development showed an increase of \$14,194, and general government expenses increased this year, from \$567,903 to \$688,734. Debt service showed a decrease, from \$296,445 in FY19 to \$292,567 in FY20. In addition, other financing uses decreased \$100 in fiscal year 2020.

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Receipts:		
Program Receipts:		
Charges for service		
Water	\$ 475,532	\$ 441,166
Sewer	594,045	570,463
Recoupment fees	70,097	36,675
General Receipts:		
Unrestricted investment earnings	15,036	13,695
Bond proceeds	-	-
Other general receipts	-	-
	<u>\$ 1,154,710</u>	<u>\$ 1,061,999</u>
Total receipts		
	<u>\$ 1,154,710</u>	<u>\$ 1,061,999</u>
Disbursements:		
Water	\$ 467,907	\$ 752,836
Sewer	680,383	467,226
	<u>\$ 1,148,290</u>	<u>\$ 1,220,062</u>
Total disbursements		
	<u>\$ 1,148,290</u>	<u>\$ 1,220,062</u>
Change in cash basis net position before transfers	\$ 6,420	\$ (158,063)
Transfers, net	<u>101,540</u>	<u>304,984</u>
Change in cash basis net position	\$ 107,960	\$ 146,921
Cash basis net position beginning of year	<u>1,606,449</u>	<u>1,459,528</u>
Cash basis net position end of year	<u>\$ 1,714,409</u>	<u>\$ 1,606,449</u>

Total business type activities receipts for the fiscal year increased from the previous year, coming in at \$1,154,710 compared to \$1,061,999 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Solon completed the year, its governmental funds reported a combined fund balance of \$4,712,389, an increase of \$937,247 from the prior year. Major reasons for the changes in fund balances of the major funds from the prior year are as follows:

- The General Fund cash balance increased \$831,246 from the prior year to a balance of \$1,075,155.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$38,025 from prior year to a balance of \$(3,212).
- The Special Revenue, Local Option Sales Tax cash balance increased \$635,623 from the prior year to a balance of \$2,633,636 due to a new 10 year local option sales tax beginning July 1, 2015.
- The Special Revenue, Library Trust Fund cash balance increased \$14,958 from the prior year to a balance of \$536,809 due to contributions received for future use.
- The Debt Service Fund cash balance increased \$98 from the prior year balance to a balance of \$66,612.

BUSINESS TYPE FUND ANALYSIS

The City's business type fund cash balances increased by \$107,960 from the prior year.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2020 receipts were approximately \$470,000 more than budgeted. Disbursements were all under budgeted amounts.

DEBT ADMINISTRATION

As of June 30, 2020, the City had \$3,305,753 in bonds, compared to \$2,538,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2020	2019
General obligation bonds	\$ 2,937,753	\$2,039,000
Revenue bonds	368,000	499,000
Total	<u>\$ 3,305,753</u>	<u>\$2,538,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt and tax increment financing rebate agreements, net of cash available to service those debts is below the City's constitutional debt limit of approximately \$11.5 million.

The City does not carry a general obligation bond rating assigned by national rating agencies due to the small size of the City and the debt traditionally bonded for; additionally, it is considered that the cost associated with obtaining such a rating would not be in line with any potential resulting savings or points discounted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is in a steady-growth developing area and located in Johnson County in eastern Iowa and within proximity to metro areas of Cedar Rapids and Iowa City. For fiscal year 2020 the building permits for single-family and multi-family dwellings have maintained a steady pattern.

In FY21 the City formally closed out the 400,000 gallon Ground Storage Water Reservoir and Booster Station Project and that was funded with the State Revolving Funds program. The preliminary survey work is completed for a North Trunk Sanitary Sewer Project with easements acquired for the construction began in Spring of 2021. Both the Ground Storage/Booster Project and North Trunk Project reflect the steady growth experienced within the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cami Rasmussen, City Administrator or the City Clerk/Treasurer at 101 North Iowa Street, Solon, IA 52333, or by phone at (319) 624-3755.

Basic Financial Statements

City of Solon
Cash Basis Statement of Activities and Net Position
as of and for the year ended June 30, 2020

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Public safety	\$ 206,532	\$ -	\$ -
Public works	860,141	199,415	262,019
Culture and recreation	676,326	110,865	154,332
Community and economic development	46,493	-	-
General government	688,734	31,940	-
Debt service	292,567	-	-
Capital Projects	<u>23,775</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 2,794,568</u>	<u>\$ 342,220</u>	<u>\$ 416,351</u>
Business-type activities:			
Water	\$ 467,907	\$ 475,532	\$ -
Recoupment fees	-	70,097	-
Sewer	<u>680,383</u>	<u>594,045</u>	<u>-</u>
Total business-type activities	<u>\$ 1,148,290</u>	<u>\$1,139,674</u>	<u>\$ -</u>
Total primary government	<u>\$ 3,942,858</u>	<u>\$1,481,894</u>	<u>\$ 416,351</u>
Component unit:			
Library Foundation	<u>\$ 1,979</u>	<u>\$ -</u>	<u>\$ 4,605</u>

General Receipts and Transfers:
Property and other city tax levied for:
 General purpose
 Debt service
 Other purposes
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Bond refunding payments
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

See Notes to Financial Statements.

Net (Disbursements) Receipts and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Library Foundation
\$ (206,532)	\$ -	\$ (206,532)	\$ -
(398,707)	-	(398,707)	-
(411,129)	-	(411,129)	-
(46,493)	-	(46,493)	-
(656,794)	-	(656,794)	-
(292,567)	-	(292,567)	-
(23,775)	-	(23,775)	-
<u>\$ (2,035,997)</u>	<u>\$ -</u>	<u>\$ (2,035,997)</u>	<u>\$ -</u>
\$ -	\$ 7,625	\$ 7,625	-
-	70,097	70,097	-
-	(86,338)	(86,338)	-
<u>\$ -</u>	<u>\$ (8,616)</u>	<u>\$ (8,616)</u>	<u>\$ -</u>
<u>\$ (2,035,997)</u>	<u>\$ (8,616)</u>	<u>\$ (2,044,613)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,626</u>
\$ 1,035,838	\$ -	\$ 1,035,838	\$ -
-	-	-	-
259,018	-	259,018	-
769,717	-	769,717	-
730,355	-	730,355	-
18,317	15,036	33,353	-
548,819	-	548,819	-
(287,280)	-	(287,280)	-
<u>(101,540)</u>	<u>101,540</u>	<u>-</u>	<u>-</u>
<u>\$ 2,973,244</u>	<u>\$ 116,576</u>	<u>\$ 3,089,820</u>	<u>\$ -</u>
\$ 937,247	\$ 107,960	\$ 1,045,207	\$ 2,626
<u>3,775,142</u>	<u>1,606,449</u>	<u>5,381,591</u>	<u>102,513</u>
<u>\$ 4,712,389</u>	<u>\$1,714,409</u>	<u>\$ 6,426,798</u>	<u>\$ 105,139</u>

City of Solon
Cash Basis Statement of Activities and Net Position
as of and for the year ended June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Library Foundation</u>
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets	\$ 144,435	\$ -	\$ 144,435	\$ -
Debt service	66,612	104,708	171,320	-
Capital projects	2,703,539	789,051	3,492,590	-
Employee benefits	40,567	-	40,567	-
Urban renewal purposes	(3,212)	-	(3,212)	-
Library purposes	536,809	-	536,809	105,139
Recreation	148,484	-	148,484	-
Assigned for: Historic Preservation	43	-	43	-
Unrestricted	<u>1,075,112</u>	<u>820,650</u>	<u>1,895,762</u>	<u>-</u>
 Total cash basis net position	 <u>\$4,712,389</u>	 <u>\$1,714,409</u>	 <u>\$6,426,798</u>	 <u>\$ 105,139</u>

See Notes to Financial Statements.

City of Solon
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
as of and for the year ended June 30, 2020

		<u>Special Revenue</u>	
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Urban Renewal Tax Increment</u>
Receipts:			
Property tax	\$ 1,035,838	\$ -	\$ -
Tax increment financing	-	-	769,717
Other city tax	14,706	730,355	-
Licenses and permits	124,246	-	-
Use of money and property	35,621	2,079	1,120
Intergovernmental	149,781	-	-
Charges for Services	309,951	-	-
Miscellaneous	<u>354,081</u>	<u>-</u>	<u>-</u>
Total receipts	<u>\$ 2,024,224</u>	<u>\$ 732,434</u>	<u>\$ 770,837</u>
Disbursements:			
Operating			
Public safety	\$ 206,532	\$ -	\$ -
Public works	507,282	-	-
Culture and recreation	667,004	-	-
Community and economic development	-	-	46,493
General government	688,734	-	-
Debt service	127	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>\$ 2,069,679</u>	<u>\$ -</u>	<u>\$ 46,493</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (45,455)</u>	<u>\$ 732,434</u>	<u>\$ 724,344</u>
Other financing sources (uses):			
Refunding payment	\$ -	\$ -	\$ -
Transfers in	294,537	-	9,304
Transfers out	<u>(5,173)</u>	<u>(96,811)</u>	<u>(771,673)</u>
Total other financing sources (uses)	<u>\$ 289,364</u>	<u>\$ (96,811)</u>	<u>\$ (762,369)</u>
Change in cash balances	\$ 243,909	\$ 635,623	\$ (38,025)
Cash balances beginning of year	<u>831,246</u>	<u>1,998,013</u>	<u>34,813</u>
Cash balances end of year	<u>\$ 1,075,155</u>	<u>\$2,633,636</u>	<u>\$ (3,212)</u>

See Notes to Financial Statements.

Special Revenue

<u>Library Trust</u>	<u>Debt Service</u>	<u>Non Major Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ 244,312	\$1,280,150
-	-	-	769,717
-	-	-	745,061
-	-	-	124,246
10,385	99	952	50,256
4,551	-	262,019	416,351
-	-	330	310,281
<u>9,344</u>	<u>-</u>	<u>61,148</u>	<u>424,573</u>
<u>\$ 24,280</u>	<u>\$ 99</u>	<u>\$ 568,761</u>	<u>\$4,120,635</u>
\$ -	\$ -	\$ -	\$ 206,532
-	-	352,859	860,141
9,322	-	-	676,326
-	-	-	46,493
-	-	-	688,734
-	292,440	-	292,567
<u>-</u>	<u>-</u>	<u>23,775</u>	<u>23,775</u>
<u>\$ 9,322</u>	<u>\$ 292,440</u>	<u>\$ 376,634</u>	<u>\$2,794,568</u>
<u>\$ 14,958</u>	<u>\$ (292,342)</u>	<u>\$ 192,127</u>	<u>\$1,326,067</u>
\$ -	\$ (287,280)	\$ -	\$ (287,280)
-	589,025	28,949	921,815
<u>-</u>	<u>(9,306)</u>	<u>(140,392)</u>	<u>(1,023,355)</u>
<u>\$ -</u>	<u>\$ 292,439</u>	<u>\$ (111,443)</u>	<u>\$ (388,820)</u>
\$ 14,958	\$ 98	\$ 80,684	\$ 937,247
<u>521,851</u>	<u>66,514</u>	<u>322,705</u>	<u>3,775,142</u>
<u>\$ 536,809</u>	<u>\$ 66,612</u>	<u>\$ 403,389</u>	<u>\$4,712,389</u>

City of Solon
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
as of and for the year ended June 30, 2020

		<u>Special Revenue</u>	
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Urban Renewal Tax Increment</u>
Cash basis fund balances			
Restricted for:			
Streets	\$ -	\$ -	\$ -
Debt Service	-	-	-
Capital Improvements	-	2,633,636	-
Employee Benefits	-	-	-
Urban renewal	-	-	(3,212)
Library	-	-	-
Recreation	-	-	-
Assigned for historic preservation	43	-	-
Unassigned	<u>1,075,112</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,075,155</u>	<u>\$ 2,633,636</u>	<u>\$ (3,212)</u>

See Notes to the Financial Statements.

<u>Special Revenue</u>			
<u>Library</u>	<u>Debt</u>	<u>Non Major</u>	
<u>Trust</u>	<u>Service</u>	<u>Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ 144,435	\$ 144,435
-	66,612	-	66,612
-	-	69,903	2,703,539
-	-	40,567	40,567
-	-	-	(3,212)
536,809	-	-	536,809
-	-	-	148,484
-	-	148,484	43
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075,112</u>
<u>\$ 536,809</u>	<u>\$ 66,612</u>	<u>\$ 403,389</u>	<u>\$ 4,712,389</u>

City of Solon
Statement of Cash Receipts, Disbursements,
and changes in Cash Balances
(Proprietary Funds)
For the Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Recoupment Fees</u>	<u>Total</u>
Operating receipts:				
Charges for Services	<u>\$ 475,532</u>	<u>\$ 594,045</u>	<u>\$ 70,097</u>	<u>\$1,139,674</u>
Operating disbursements:				
Business-type activities	<u>\$ 406,887</u>	<u>\$ 587,586</u>	<u>\$ -</u>	<u>\$ 994,473</u>
Excess (deficiency) of operating receipts over(under) operating disbursements	<u>\$ 68,645</u>	<u>\$ 6,459</u>	<u>\$ 70,097</u>	<u>\$ 145,201</u>
Non-operating receipts (disbursements):				
Interest on investments	\$ 4,673	\$ 4,557	\$ 5,806	\$ 15,036
Debt Service	(61,020)	(88,335)	-	(149,355)
Capital outlay	<u>-</u>	<u>(4,462)</u>	<u>-</u>	<u>(4,462)</u>
Net non-operating receipts	<u>\$ (56,347)</u>	<u>\$ (88,240)</u>	<u>\$ 5,806</u>	<u>\$ (138,781)</u>
Excess of receipts over disbursements	<u>\$ 12,298</u>	<u>\$ (81,781)</u>	<u>\$ 75,903</u>	<u>\$ 6,420</u>
Other financing sources(uses):				
Operating transfers in	\$ -	\$ -	\$ 257,648	\$ 257,648
Operating transfers out	<u>(23,900)</u>	<u>(23,900)</u>	<u>(108,308)</u>	<u>(156,108)</u>
Total other financing sources (uses)	<u>\$ (23,900)</u>	<u>\$ (23,900)</u>	<u>\$ 149,340</u>	<u>\$ 101,540</u>
Change in cash balances	\$ (11,602)	\$(105,681)	\$ 225,243	\$ 107,960
Cash balances beginning of year	<u>332,092</u>	<u>693,409</u>	<u>580,948</u>	<u>1,606,449</u>
Cash balances end of year	<u>\$ 320,490</u>	<u>\$ 587,728</u>	<u>\$ 806,191</u>	<u>\$1,714,409</u>
Cash basis fund balances:				
Restricted:				
Debt service	\$ 5,124	\$ 7,444	\$ 92,140	\$ 104,708
Capital improvements	-	75,000	714,051	789,051
Unassigned	<u>315,366</u>	<u>505,284</u>	<u>-</u>	<u>820,650</u>
Total cash basis fund balances	<u>\$ 320,490</u>	<u>\$ 587,728</u>	<u>\$ 806,191</u>	<u>\$1,714,409</u>

See Notes to the Financial Statements.

City of Solon
Notes to Financial Statements
June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Solon, Iowa is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1840 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, garbage and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Solon, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Solon (the primary government), and its component unit, the Solon Public Library Foundation. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Solon Public Library Foundation (Foundation) was established pursuant to Section 501(c)(3) of the Internal Revenue Code to solicit and receive donations, gifts, and grants to provide supplementary funding to strengthen and enrich the Solon Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received and held by the Foundation are substantially for the direct benefit of the Solon Public Library.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Johnson County Assessor's Conference Board, Johnson County Emergency Management Commission, Johnson County Landfill Commission and Johnson County Joint E911 Service Board.

City of Solon
Notes to Financial Statements
June 30, 2020

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation includes \$806,191 of recoupment fees collected for debt service and capital improvements.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Solon
Notes to Financial Statements
June 30, 2020

(1) Summary of Significant Accounting Policies (continued)

The local Option Sales Tax Fund is used to account for the proceeds of local option sales tax allocations received by the City to be used for street improvements, water and sewer infrastructure and construction/maintenance of any public facility.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Library Trust Fund is used to account for receipts from a bequest and donations to be used for library operations and future expansion.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Recoupment Fees Fund accounts for fees collected to be used solely to acquire, equip and make improvements to City public capital facilities.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Solon
Notes to Financial Statements
June 30, 2020

(1) Summary of Significant Accounting Policies (continued)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements in the Community and Economic Development and General Government functions exceeded amounts budgeted prior to amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificate of deposits	<u>\$ 550,557</u>	<u>\$ 550,557</u>

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Solon
Notes to Financial Statements
June 30, 2020

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds and revenue bonds at June 30, 2020 are as follows:

Year Ending June 30,	General Obligation		Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 510,753	\$ 56,453	\$ 138,000	\$ 12,825
2022	463,000	46,290	55,000	6,900
2023	469,000	37,075	57,000	5,250
2024	466,000	27,638	58,000	3,540
2025	78,000	18,008	60,000	1,800
2026-2030	410,000	69,107	-	-
2031-2035	447,000	31,990	-	-
2036-2040	<u>94,000</u>	<u>1,645</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$2,937,753</u>	<u>\$ 288,206</u>	<u>\$ 368,000</u>	<u>\$30,315</u>

Year Ending June 30,	Total	
	Principal	Interest
2021	\$ 648,753	\$ 69,278
2022	518,000	53,190
2023	526,000	42,325
2024	524,000	31,178
2025	138,000	19,808
2026-2030	410,000	69,107
2031-2035	447,000	31,990
2036-2040	<u>94,000</u>	<u>1,645</u>
TOTAL	<u>\$3,305,753</u>	<u>\$ 318,521</u>

General Obligation Bonds

During the year ended June 30, 2020, the City made principal payments of \$512,000 and interest payments of \$67,948 on these bonds during the year then ended. At June 30, 2020, the outstanding principal balance is \$2,937,753.

On May 5, 2018 the City entered into a loan agreement with the Iowa Finance Authority (IFA) for issuance of up to \$1,891,000. The City did not draw the full amount and the loan agreement has been rewritten. The Schedule of Indebtedness is adjusted for the correct amount that was drawn.

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$950,000 of sewer revenue bonds issued May 1, 2006. Proceeds from the bonds provided financing for sewer improvements and extensions. The bonds are payable solely from sewer customer net receipts and are payable through 2021.

City of Solon
Notes to Financial Statements
June 30, 2020

(3) Bonds Payable (continued)

The total principal and interest remaining to be paid on the bonds, as of June 30, 2020 is \$89,335. For the year ended June 30, 2020, principal and interest paid and total customer net receipts were \$88,335 and \$114,432, respectively. Annual principal and interest payments on the bonds required approximately 77.19% of net receipts.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Sewer Fund for the purpose of making the bond principal and interest payments when due.
- (3) Upon delivery of the bonds \$92,140 shall be set apart and paid to a sewer reserve account. If at any time the balance of the reserve account has been reduced below this amount, additional funds shall be deposited to the reserve account to restore the reserve account to the required reserve balance. The City has restricted a portion of the Recoupment Fees Fund for this purpose.
- (4) All funds remaining in the sewer account after the payments of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue improvement account within the Sewer Fund until a minimum of \$75,000 is accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might not be able to cover.

Water Revenue Bonds

On December 10, 2010, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$730,000 of water revenue bonds with interest at a rate of 3.0% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee on the Chapters 384.24A and 384.83 of the Code of Iowa to pay for the cost of construction of certain improvements and extensions to the water treatment facilities.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bonds. The bonds are payable solely from water customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes as of June 30, 2020, is \$308,980. For the year ended June 30, 2020, principal and interest paid and total customer net receipts were \$61,020 and \$68,645, respectively. Annual principal and interest payments on the bond required approximately 88.89% of net receipts.

City of Solon
Notes to Financial Statements
June 30, 2020

(3) Bonds Payable (continued)

The resolution providing for the issuance of the water revenue bonds issued under the loan agreement includes the following

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (2) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bond falling due in the same year.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is .50% for each month the member receives benefits before age 65.

City of Solon
Notes to Financial Statements
June 30, 2020

(4) Pension Plan continued

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2020, totaled \$69,345.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$500,873 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0086497%, which was an increase of 0.0008855% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$92,136, \$78,718 and \$98,129, respectively.

There were no non-employer contributing entities to IPERS.

City of Solon
Notes to Financial Statements
June 30, 2020

(4) Pension Plan continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 %, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25 % per annum based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Solon
Notes to Financial Statements
June 30, 2020

(4) Pension Plan (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1 % higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 889,388	\$ 500,873	\$ 174,990

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for retirees and current employees and their families. There are ten active and no retired members in the plan. Participants must be age 55 or older at retirement the medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The city finances the health insurance plan with Wellmark on a pay-as-you-go basis. Contribution requirements of plan members are established by and may be amended by the City. For the year ended June 30, 2020, the City paid 100% of the cost of single coverage premiums. The City also contributes \$225 monthly toward coverage for employees who select coverage for family members. The most recent premium cost per member ranges from \$301 to \$733 per month, depending on the additional insureds and ages of all insureds. During the year ended June 30, 2020, the City's contribution to the plan, net of employee reimbursements of \$12,457 was \$84,578.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2020, primarily relating to the General Fund, was \$31,346. This liability has been computed based on rates of pay in effect at June 30, 2020.

City of Solon
Notes to Financial Statements
June 30, 2020

(7) Risk Management

The City of Solon, Iowa is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(8) Lease Purchase Agreement

On April 2, 2015, the City entered into a lease purchase agreement with Altorfer, Inc. for a Caterpillar loader. The net purchase price after trade-in of another loader was \$63,225. Monthly payments of \$709 began September 2015, with a final balloon payment of approximately \$29,029 in 2020. Interest is provided at a rate of 3.2% per annum. During the year ended June 30, 2020 the City made payments of \$6,614 and \$1,179 for principal and interest respectively.

(9) Construction Contracts

The City had no open construction contracts with unpaid balances as of June 30, 2020.

City of Solon
Notes to Financial Statements
June 30, 2020

(10) Interfund Transfers

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources, move resources to facilitate the payment of principal and interest to bonds and notes payable, and move resources for the acquisition of major equipment purchases and capital projects.

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to:	Transfer from:	Amount
General		
	<u>Special Revenue</u>	
	Local Option Sales Tax	\$ 73,035
	Employee Benefits	64,705
	Fire Trust	<u>682</u>
		<u>\$ 138,422</u>
	Debt Service	<u>\$ 2</u>
	Capital Projects	<u>\$ 5</u>
	<u>Enterprise</u>	
	Water	\$ 23,900
	Sewer	23,900
	Recoupment fees	<u>108,308</u>
		<u>\$ 156,108</u>
		<u>\$ 294,537</u>
<u>Special Revenue</u>		
Urban Renewal Tax Increment		
	Debt Service	<u>\$ 9,304</u>
Debt Service		
	<u>Special Revenue</u>	
	Urban Renewal Tax Increment	<u>\$ 589,025</u>
Capital Projects		
	General	\$ 5,173
	<u>Special Revenue</u>	
	Local Option Sales Tax	<u>23,776</u>
		<u>\$ 28,949</u>
<u>Enterprise</u>		
Recoupment Fees		
	<u>Special Revenue</u>	
	Urban Renewal Tax Increment	\$ 182,648
	Capital Projects	<u>75,000</u>
		<u>\$ 257,648</u>
		<u>\$1,179,463</u>

City of Solon
Notes to Financial Statements
June 30, 2020

(11) Urban Renewal Project Rebate and Economic Development Agreements

Project Rebate Agreements On January 20, 2016, the City entered into another tax abatement agreement with a local company. The City has agreed to assist in the urban renewal project by rebating incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. Payments will be made according to the sliding scale included in the agreement for a period of ten years after the improvements to the property have been completed. The project was completed April 12, 2016.

The project rebate agreements are not general obligations of the City, but are subject to the constitutional debt limitation of the City. However, these agreements include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

Economic Development Agreements On, March 1, 2017, the City approved entering into an economic development loan agreement with a local company. The City has agreed to loan \$150,000 to the company to assist in funding improvements to the company's property. Under the terms of the agreement, if all improvements have been made to the property by January 15, 2018, the loan will be forgiven. In the event that the improvements have not been made to the property by January 15, 2018, the loan is due in full on June 30, 2024. The City advanced the \$150,000 loan on March 20, 2018.

(12) Litigation

The City is subject to threatened litigation and claims from two residential property owners relating to damages incurred from flooding of their properties and homes from alleged improper storm water runoff. The City has threatened litigation and claims against the developer and engineer of the residential development for remediation expenses of reconstruction of a storm sewer system and land acquisition costs in the development. The City is trying to resolve this matter through remediation efforts. It is the opinion of the City's attorneys that an evaluation of the ultimate outcome of this matter is premature at this stage.

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$1,650 of property tax under the urban renewal and economic development projects.

(14) Subsequent Events

Management has evaluated subsequent events through June 10, 2021, the date the financial statements were available to be issued.

Other Information

City of Solon
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

June 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$1,280,150	\$ -	\$1,280,150
Tax increment financing	769,718	-	769,718
Other city tax	745,061	-	745,061
Licenses and permits	124,246	-	124,246
Use of money and property	50,256	15,036	65,292
Intergovernmental	416,351	-	416,351
Charges for services	310,281	1,139,674	1,449,955
Miscellaneous	<u>424,573</u>	<u>-</u>	<u>424,573</u>
Total Receipts	<u>\$4,120,636</u>	<u>\$1,154,710</u>	<u>\$5,275,346</u>
Disbursements:			
Public safety	\$ 206,532	\$ -	\$ 206,532
Public works	860,141	-	860,141
Culture and recreation	676,326	-	676,326
Community and economic development	46,493	-	46,493
General government	688,734	-	688,734
Debt service	292,568	149,355	441,923
Capital projects	23,775	4,462	28,237
Business type activities	<u>-</u>	<u>994,473</u>	<u>994,473</u>
Total disbursements	<u>\$2,794,569</u>	<u>\$1,148,290</u>	<u>\$3,942,859</u>
Excess (deficiency) of receipts over disbursement	\$1,326,067	\$ 6,420	\$1,332,487
Other financing sources (uses), net	<u>(388,820)</u>	<u>101,540</u>	<u>(287,280)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 937,247	\$ 107,960	\$1,045,207
Balances beginning of year	<u>3,775,142</u>	<u>1,606,449</u>	<u>5,381,591</u>
Balances end of year	<u>\$4,712,389</u>	<u>\$1,714,409</u>	<u>\$6,426,798</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 1,268,488	\$1,268,488	\$ 11,662
791,762	791,762	(22,044)
164,254	514,254	230,807
86,900	86,900	37,346
25,150	40,150	25,142
421,258	421,258	(4,907)
1,397,597	1,341,097	108,858
<u>61,600</u>	<u>341,800</u>	<u>82,773</u>
<u>\$ 4,217,009</u>	<u>\$4,805,709</u>	<u>\$ 469,637</u>
\$ 211,464	\$ 211,464	\$ 4,932
881,851	950,851	90,710
667,049	739,049	62,723
36,557	131,557	85,064
381,122	689,622	888
589,025	589,025	147,102
79,385	79,385	51,148
<u>1,075,522</u>	<u>1,427,522</u>	<u>433,049</u>
<u>\$ 3,921,975</u>	<u>\$4,818,475</u>	<u>\$ 875,616</u>
\$ 295,034	\$ (12,766)	\$1,345,253
<u>-</u>	<u>-</u>	<u>(287,280)</u>
\$ 295,034	\$ (12,766)	\$1,057,973
<u>4,138,380</u>	<u>4,138,380</u>	<u>1,243,211</u>
<u>\$ 4,433,414</u>	<u>\$4,125,614</u>	<u>\$2,301,184</u>

City of Solon
Notes to Other Information – Budgetary Reporting
June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$896,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the Community and Economic Development and General Government function prior to amendment.

City of Solon
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Fiscal Years*

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability (asset)	0.0086497 %	0.0077642%	0.0071176%
City's proportionate share of the net pension liability	\$ 500,873	\$ 491,338	\$ 474,124
City's covered-employee payroll	\$ 658,274	\$ 583,552	\$ 531,296
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.09 %	84.20%	89.24%
IPERS' net position as a percentage of the total pension liability	85.45 %	83.62%	82.21%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0069439%	0.0070455%	0.0071340%
\$ 437,003	\$ 348,081	\$ 282,927
\$ 498,321	\$ 482,681	\$ 466,816
87.70%	72.11%	60.61%
81.82%	85.19%	87.61%

City of Solon
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 69,435	\$ 48,776	\$ 52,111	\$ 47,445
Contributions in relation to the Statutorily required contribution	<u>(69,435)</u>	<u>(48,776)</u>	<u>(52,111)</u>	<u>(47,445)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$734,592	\$658,274	\$583,552	\$531,296
Contributions as percentage of covered-employee payroll	9.45%	7.41%	8.93%	8.93%

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 44,500	\$ 43,103	\$ 41,687	\$ 36,621	\$ 31,283	\$ 26,827
<u>(44,500)</u>	<u>(43,103)</u>	<u>(41,687)</u>	<u>(31,283)</u>	<u>(31,283)</u>	<u>(26,827)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$498,321	\$ 482,681	\$466,816	\$387,647	\$387,647	\$385,999
8.93%	8.93%	8.93%	8.07%	8.07%	6.95%

City of Solon
Notes to Other Information – Pension Liability
Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a rested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017.

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Solon
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2020

	<u>Employee Benefits</u>	<u>Playground Trust</u>	<u>Fire Trust</u>
Receipts:			
Property tax	\$164,530	\$ -	\$ -
Use of money and property	-	560	-
Intergovernmental	-	-	-
Charges for services	-	330	-
Miscellaneous	<u>-</u>	<u>61,148</u>	<u>-</u>
Total receipts	<u>\$164,530</u>	<u>\$ 62,038</u>	<u>\$ -</u>
Disbursements:			
Operating			
Public works	\$ 97,093	\$ -	\$ -
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>\$ 97,093</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 67,437</u>	<u>\$ 62,038</u>	<u>\$ -</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	<u>(64,705)</u>	<u>-</u>	<u>(682)</u>
Total other financing sources (uses)	<u>\$(64,705)</u>	<u>\$ -</u>	<u>\$ (682)</u>
Change in cash balances	\$ 2,732	\$ 62,038	<u>\$ (682)</u>
Cash balances beginning of year	<u>37,835</u>	<u>86,446</u>	<u>682</u>
Cash balances end of year	<u>\$ 40,567</u>	<u>\$ 148,484</u>	<u>\$ -</u>
Cash basis fund balances			
Restricted for:			
Capital projects	\$ -	\$ -	\$ -
Employee benefits	40,567	-	-
Recreation	-	148,484	-
Streets	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 40,567</u>	<u>\$ 148,484</u>	<u>\$ -</u>

See accompanying independent auditor's report.

<u>Road Use</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 79,782	\$ 244,312
-	392	952
262,019	-	262,019
-	-	330
-	-	61,148
<u>\$ 262,019</u>	<u>\$ 80,174</u>	<u>\$ 568,761</u>
\$ 255,766	\$ -	\$ 352,859
<u>-</u>	<u>23,775</u>	<u>23,775</u>
<u>\$ 255,766</u>	<u>\$ 23,775</u>	<u>\$ 376,634</u>
<u>\$ 6,253</u>	<u>\$ 56,399</u>	<u>\$ 192,127</u>
\$ -	\$ 28,949	\$ 28,949
<u>-</u>	<u>(75,005)</u>	<u>(140,392)</u>
<u>\$ -</u>	<u>\$ (46,056)</u>	<u>\$(111,431)</u>
<u>\$ 6,253</u>	<u>\$ 10,343</u>	<u>\$ 80,684</u>
<u>138,182</u>	<u>59,560</u>	<u>322,705</u>
<u>\$ 144,435</u>	<u>\$ 69,903</u>	<u>\$ 403,389</u>
\$ -	\$ 69,903	\$ 69,903
-	-	40,567
-	-	148,484
<u>144,435</u>	<u>-</u>	<u>144,435</u>
<u>\$ 144,435</u>	<u>\$ 69,903</u>	<u>\$ 403,389</u>

City of Solon
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year
General Obligation Bonds:				
East Side Relief Sewer **	10/27/2003	1.75%	\$ 250,000	\$ 54,000
Street Improvements and Refunding Bonds	06/15/2012	1.00% - 2.20%	1,850,000	635,000
Series 2017A	05/02/2017	2.00% - 2.10%	1,850,000	1,350,000
Water Improvement – SRF**	05/05/2017	1.75%	1,891,000	<u>1,410,753</u>
TOTAL				<u>\$3,449,753</u>
Revenue Bonds:				
Sewer Revenue	05/01/2006	3.95% - 5.10%	950,000	165,000
Water Revenue **	12/10/2010	3.00%	730,000	<u>334,000</u>
				<u>\$ 499,000</u>

**Annual servicing fee of 0.25% of outstanding principal balance is required.

See accompanying independent auditor's report.

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 13,000	\$ 41,000	\$ 1,172	\$ -
-	155,000	480,000	12,320	-
-	260,000	1,090,000	27,280	-
<u>-</u>	<u>84,000</u>	<u>1,326,753</u>	<u>27,176</u>	<u>-</u>
<u>\$ -</u>	<u>\$512,000</u>	<u>\$2,937,753</u>	<u>\$67,948</u>	<u>\$ -</u>
\$ -	\$ 80,000	\$ 85,000	\$ 8,335	\$ -
<u>-</u>	<u>51,000</u>	<u>283,000</u>	<u>10,020</u>	<u>-</u>
<u>\$ -</u>	<u>\$131,000</u>	<u>\$ 368,000</u>	<u>\$18,355</u>	<u>\$ -</u>

City of Solon
Bond Maturities
June 30, 2020

General Obligation Bonds

General Obligation Bonds										
Year Ending June 30,	East Side Sewer Relief		Street Improvement and Refunding		Refunding		Water Improvement		TOTAL	
	<u>Issue Oct 27, 2003</u>		<u>Issue Jun 15, 2012</u>		<u>Issue May 2, 2017</u>		<u>Issue May 5, 2017</u>			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rate	Amount		
2021	1.75 %	\$ 13,000	1.85%	\$150,000	2.00%	\$265,000	1.75%	\$ 72,753	\$ 500,753	
2022	1.75	14,000	2.00	105,000	2.00	270,000	1.75	74,000	463,000	
2023	1.75	14,000	2.10	105,000	2.00	275,000	1.75	75,000	469,000	
2024		-	2.20	110,000	2.10	280,000	1.75	76,000	466,000	
2025		-		-		-	1.75	78,000	78,000	
2026		-		-		-	1.75	79,000	79,000	
2027		-		-		-	1.75	81,000	81,000	
2028		-		-		-	1.75	82,000	82,000	
2029		-		-		-	1.75	83,000	83,000	
2030		-		-		-	1.75	85,000	85,000	
2031		-		-		-	1.75	86,000	86,000	
2032		-		-		-	1.75	88,000	88,000	
2033		-		-		-	1.75	89,000	89,000	
2034		-		-		-	1.75	91,000	91,000	
2035		-		-		-	1.75	93,000	93,000	
2036		-		-		-	1.75	94,000	94,000	
TOTAL		\$41,000		\$470,000		\$1,090,000		\$1,326,753	\$2,927,753	

Revenue Bonds

Year Ending June 30,	<u>Sewer Revenue</u>		<u>Water Revenue</u>		<u>TOTAL</u>
	<u>Issued May 1, 2006</u>		<u>Issued Dec. 10, 2010</u>		
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2021	5.10%	\$ 85,000	3.00%	\$ 53,000	\$ 138,000
2022		-	3.00	55,000	55,000
2023		-	3.00	57,000	57,000
2024		-	3.00	58,000	58,000
2025		-	3.00	60,000	60,000
TOTAL		<u>\$ 85,000</u>		<u>\$ 283,000</u>	<u>\$ 368,000</u>

See accompanying independent auditor's report.

City of Solon
Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds
For the Last Nine Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RECEIPTS:				
Property tax	\$ 1,280,150	\$1,200,749	\$1,201,105	\$1,099,852
Tax increment financing	769,718	821,785	649,720	510,260
Other City tax	745,061	685,536	641,999	934,443
Licenses and permits	124,246	98,603	100,472	201,983
Use of money and property	50,256	32,314	23,852	23,578
Intergovernmental	416,351	470,431	389,602	374,692
Charges for service	310,281	275,904	228,752	229,470
Miscellaneous	<u>424,573</u>	<u>217,637</u>	<u>155,419</u>	<u>126,305</u>
Total	<u>\$4,120,636</u>	<u>\$3,802,959</u>	<u>\$3,390,921</u>	<u>\$3,500,583</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 206,532	\$ 197,530	\$ 170,111	\$ 150,071
Public works	860,141	930,720	1,022,590	876,535
Culture and recreation	676,326	666,650	527,352	475,486
Community & economic development	46,493	32,299	150,000	85,897
General government	688,734	567,903	644,139	426,465
Debt service	292,568	296,445	329,709	521,345
Capital expenditures	<u>23,775</u>	<u>-</u>	<u>-</u>	<u>102,393</u>
Total	<u>\$2,794,569</u>	<u>\$2,691,547</u>	<u>\$2,843,901</u>	<u>\$2,638,192</u>

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 867,351	\$ 789,220	\$ 789,820	\$ 803,768	\$ 718,952
597,802	667,304	538,234	465,532	476,013
259,443	15,010	63,137	214,715	205,044
82,677	208,208	127,338	91,923	84,503
9,441	11,649	12,893	20,232	23,807
433,354	362,897	433,582	559,368	399,953
207,202	190,391	170,793	157,935	150,108
<u>85,795</u>	<u>70,343</u>	<u>68,633</u>	<u>37,854</u>	<u>52,794</u>
<u>\$2,543,065</u>	<u>\$2,315,022</u>	<u>\$2,204,430</u>	<u>\$2,351,327</u>	<u>\$2,111,174</u>
\$ 165,592	\$ 165,858	\$ 228,730	\$ 152,367	\$ 139,091
587,562	649,539	642,375	510,387	637,300
413,835	462,884	375,747	410,796	400,295
30,161	67,010	142,305	134,000	37,058
403,575	307,369	273,736	224,896	199,848
496,879	1,287,690	714,181	831,023	421,555
<u>1,846</u>	<u>242,075</u>	<u>820,203</u>	<u>1,724,319</u>	<u>318,090</u>
<u>\$2,099,450</u>	<u>\$3,182,425</u>	<u>\$3,197,277</u>	<u>\$3,987,788</u>	<u>\$2,153,237</u>



Kronlage & Olson, P.C.

Certified Public Accountants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Solon, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City of Solon, Iowa basic financial statements, and have issued our report thereon dated June 10, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Solon, Iowa's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Solon, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Solon, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-20 through I-C-20 to be material weaknesses.

Compliance and Other Matters

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether City of Solon, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Solon, Iowa's Responses to the Findings

City of Solon, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Solon, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa
June 10, 2021

**City of Solon
Schedule of Findings
Year ended June 30, 2020**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual at the City has control over most aspects of the accounting system including cash receipts, cash disbursements and posting of manual journal entries. We also noted this same condition exists over the accounting system of the Library Foundation, a component unit of the City.

Cause – There is a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Control activities should be reviewed to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Recommendations will be considered and attempt to segregate duties where possible.

Conclusion – Response accepted.

City of Solon
Schedule of Findings
Year ended June 30, 2020

Part I: Findings Related to the Financial Statements: (continued)

I-B-20 Financial Statement Preparation

Criteria – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting

Condition – The City of Solon does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, that are fairly presented in conformity with the cash basis of accounting.

Cause – As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply cash basis accounting principles in preparing the financial statements and the related disclosures.

Effect – The potential effect of this material weakness is that the financial statements and related disclosures may not be prepared in accordance with the cash basis of accounting

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with the cash basis of accounting, can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of our organization, it is helpful and more cost effective to rely on the expertise of auditors to monitor those requirements.

Conclusion – Response accepted.

**City of Solon
Schedule of Findings
Year ended June 30, 2020**

Part I: Findings Related to the Financial Statements: (continued)

I-C-20 Reconciliation of Bank and Investment Account Balances to General Ledger

Criteria – Effective accounting controls require that procedures be in place for reconciling bank and investment account balances to City's general ledger.

Condition – Monthly bank reconciliations were prepared for individual bank and investment accounts; however, the reconciliations are not compiled to show a complete reconciliation of statement ending balance to the general ledger. This would include consideration in the reconciliation of outstanding items that are reported in the general ledger but not the bank statement.

Cause – Policies have not been established and procedures have not been implemented to prepare a complete bank reconciliation of bank and investment accounts.

Effect – This condition could result in unrecorded or misstated receipts and/or disbursements, improper or unauthorized adjustments, and incorrect cash and/or investment balances.

Recommendation – Procedures should be established to ensure bank and investment account ending balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. The City Council or a Council designated independent person should review the monthly reconciliations and document the review has been done.

Response – We have implemented procedure changes for future years.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Solon
Schedule of Findings
Year ended June 30, 2020**

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the Community and Economic and General Government functions prior to amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendations – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Staff will monitor and amend the budget in the future.

Conclusion – Response accepted.

II-B-20 Questionable Disbursements – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Chapter 372.13 (6) of the Code of Iowa states that published minutes should include the total expenditures by each fund as well as a summary of all receipts. The City did not include either of these in the minute publications.

Recommendations – The City should comply with Chapter 372.13(6) of the Code of Iowa to ensure information is being published accordingly in minutes.

Response – We will comply with the Code of Iowa requirements for publishing minutes.

Conclusion – Response accepted.

II-G-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-H-20 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted

II-I-20 Revenue Bonds – No instances of noncompliance with the revenue bond and note resolutions were noted.

This page is intentionally left blank.